From: Folio

Robins, president of M
ing Inc., a factor that len... cash to publishers in return for their receivables.

"The publishing business can almost be called a formula business," he says. "If you stay within certain guidelines, you'll be all right because this industry is so profitable."

Operational errors in many areas stem from small publishers' tendency to "give the marketplace more than they're willing to pay for," he asserts. "Instead of running for profit, most publishers run for ego." Publishers who do keep a tight rein on overhead, printing, pre-press and other areas by following the set of benchmark ratios he recommends "don't see their markets walk away from them," he maintains. Rather, they operate on a reasonable, profitable basis.

Some contend that Robins' guidelines for publishers—which are the same ones he uses to assess magazines as candidates for loans—are greatly oversimplified and do not account for necessary variations in the individual operating realities of publications. Robins himself agrees that not every standard may apply to every magazine. But he does maintain that, in general, the further a small magazine strays from these guidelines, the more jeopardy the publisher puts himself in.

Among the key ratios for magazines with total advertising and subscription sales of under $3 million, as laid out by Robins for members of the Small Magazine Publishers Group:

•Circulation costs for servicing subscriptions, including list maintenance and mailing renewal notices and invoices, should be between 20 percent and 25 percent of circulation income.

•The printing bill should be held to 25 percent of net sales, including 10 percent for paper. "If there's one place magazines go wild, it's the printing bill. Twenty-five percent shows discipline, a sense of priorities," Robins remarks. He believes a consumer magazine should have color on no more than 50 percent of its pages; a business magazine, on 25 percent. Robins also advises publishers to include with each issue's printing job order a pro forma statement showing an item by item breakdown of expected costs and total cost for the job.

•Postage charges should be about 5 percent of net sales, and other issue ... including typesetting, color separations and freelancers, should absorb 5 percent to 10 percent of total (all sources) net sales.

•In total, Robins stresses, the variable cost per issue (printing, postage and other issue costs) should be held to between 35 percent and 40 percent of total (all sources) net sales.

•Overhead should be no more than 25 percent of sales. This, says Robins, is a critical ratio, because overhead expenses can quickly drain the publisher's limited capital. To prevent that, freelance out as much as possible. Getting into in-house typesetting is all right, he says, but only if you're certain you can do it for his prescribed $30 in type costs per editorial page. By making as many costs as possible variable, a publisher is minimizing his business risk. As the publication ages and starts to build up a cash reserve, the publisher is in a better position to add fixed assets.

•Consumer magazines should keep a 50:50 advertising to editorial ratio; business magazines, a 60:40 ratio. Publishers wrongly let the proportions get skewed because they want to keep the magazine thick and "maintain a presence in the market," Robins says. "When sales drop, cut the editorial portion back fast," he urges. "Don't worry about what you think the market expects."

•Net revenue per ad page should be approximately $1,500, after agency commission. If revenue is much less than that, the publisher may be underpricing the space.

•The magazine should employ six people for each million dollars in sales.

•Payroll as a percentage of overhead should be 50 percent.

•Separation costs per editorial

MAGAZINE 'BENCHMARK' RATIOS

RATIO	STANDARD	ACTUAL
CIRCULATION COSTS/CIRCULATION INCOME	20–25%	28%
PRINTING BILLS/SALES	25%	25%
POSTAGE/SALES	5%	
ISSUE COSTS/SALES	35%	82%
OVERHEAD + CIRCULATION/SALES	25%	
%ADVERTISING PAGES: CONSUMER MAGAZINES	50%	
%ADVERTISING PAGES: TRADE MAGAZINES	60%	
%COLOR: "ART" MAGAZINES	70%	
%COLOR: CONSUMER MAGAZINES	50%	
%COLOR: TRADE MAGAZINES	25%	
ADVERTISING REVENUE/PAGE	$1,500	
SALES COSTS/SALES	10%	
EMPLOYEES/$1 MILLION SALES	6	17
PAYROLL/OVERHEAD	50%	61%
SEPARATIONS/EDIT. COLOR PAGE	$150	
PREP/PAGE: "ART" MAGAZINES	$65	
PREP/PAGE: CONSUMER MAGAZINES	$40	
PREP/PAGE: TRADE MAGAZINES	$25	
COLLECTION RATIO	40%	
RISK RATIO	25%	
TYPE/EDIT. PAGE	$30	
EDIT. COST/EDIT. PAGE: TECHNICAL MAGAZINES	$500	
EDIT. COST/EDIT. PAGE: CONSUMER MAGAZINES	$250	$151
EDIT. COST/EDIT. PAGE: TRADE MAGAZINES	$125	
EBIT*/SALES: CONSUMER MAGAZINES	30%	
EBIT*/SALES: TRADE MAGAZINES	20%	

*Earnings before interest

***Magazines with total sales of under $3 million** can operate most profitably if they follow these benchmark ratios, maintains magazine factor Will Robins. Others contend, however, that the guidelines are oversimplified.*